



# California Public Utilities Commission

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## News Release

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### **PUC SETS COSTS FOR SELF-GENERATION ENERGY CUSTOMERS, PROVIDING EXCEPTIONS TO PROMOTE CLEAN ALTERNATIVE POWER**

The California Public Utilities Commission (PUC) today approved a decision exempting many types of small, renewable, and clean self-generation of customers of Pacific Gas and Electric Company (PG&E), Southern California Edison, and San Diego Gas and Electric Company (SDG&E) from extra power surcharges. Customers who installed their own power generation before Jan. 17, 2001, when the California Department of Water Resources (DWR) began contracting for electricity, are exempt from most surcharges, as are customer generation systems that meet certain environmental criteria. The exceptions to the surcharges are created to promote economic incentives to develop various forms of alternative generation, as well as to comply with Legislative and Commission policy.

The surcharge concept (referred to as a Cost Responsibility Surcharge) was originally developed for direct access customers to share costs and avoid burdening the remaining utility customers with the costs incurred for those customers who later left the utilities' systems. However, the Commission decided that such surcharges should not be applied to a set of customer generation, since those investments generally benefit the system and do not impose extra costs. Thus, exemptions are made on the basis of broader public policy to encourage self-generation and the use of renewable resources.

By creating exceptions to surcharges for many types of self-generation, the PUC is removing barriers to installation of clean customer-owned generation and removing the cloud of uncertainty that has been discouraging customers from investing in systems.

To that end, the PUC provides the following exemptions:

- 1) Systems smaller than 1 megawatt (MW) that are net metered and/or eligible for PUC or California Energy Commission (CEC) incentives for being clean

and super-clean are fully exempt from any surcharge; this includes many solar and wind systems, as well as fuel cells;

- 2) Ultra-clean and low-emission systems (such as solar) that are 1 MW or greater that meet Senate Bill (SB) 1038 requirements to comply with CARB 2007 air emission standards will pay 100 percent of the bond charge, but no future DWR charges or utility undercollection surcharges;
- 3) All other self-generation customers will pay all components of the surcharge except the DWR ongoing power charges.

When the combined total installed generation reaches 3,000 MW, or when the generation in the third category reaches periodic lower caps set by the Commission, any additional customer generation installed will pay all surcharges. The overall cap is based on the 10-year forecast of departing load that DWR relied upon when negotiating its contracts, and therefore any self-generation installed under that cap does not result in shifting of costs to other customers. The caps on nonrenewable self-generation are to ensure that priority is given to renewable and ultra-clean generation sources.

The surcharge includes costs related to financing the bonds that were sold to cover revenue shortfalls in 2001, ongoing power costs, and transition costs (recovery of generation-related costs to enable utilities to transition to a competitive market). State law, through Assembly Bill (AB) 117, requires that DWR be fully reimbursed for its purchases, but leaves to the PUC's discretion the determination of each customer's fair share of those costs. Most customers who install self-generation still remain utility customers and therefore still contribute to DWR and transition costs. Other Bills, SB 28X, AB 29X, and AB 970, to name a few, have encouraged California businesses and residents to invest in generation, particularly generation from renewable resources.

In order to continue its support for renewable and clean generation, especially when customers have invested their own funds to provide this generation and assist the entire electric system, the Commission adopted this decision today.

The Commission also offers financial incentives, through its Self-Generation Incentive Program, to encourage customers to invest in clean and super-clean generating technologies. More information on this program is available on the Commission's website at [www.cpuc.ca.gov](http://www.cpuc.ca.gov).

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